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SUPPLEMENT

ORIGIN [REDACTED] 25X1A

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1. At the beginning of February 1947 the following persons were ordered to report to Karlshorst for a conference with Koval of the Karlshorst SMA:

Leo Skrzypczyński, President of the German Central Administration for Industry;

Georg Handke, President of the German Central Administration for Trade and Supply; and

Gustav Sobottka, President of the German Central Administration for Fuel Industry.

The purpose of the meeting was to survey the economic administration of the Russian Zone.

2. Koval criticized sharply the poor functioning of the economic administration. His critique included primarily the following observations:

- a) The production plans, as prepared by the Central Administration, are not based on facts.
- b) The procedures for distributing raw materials are complicated to such a degree that they are incomprehensible.
- c) The Central Administration is responsible for these failures, because it has not properly tackled the task assigned to it.

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NO CHANGE in Class. ☐

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3. Koval asked the Presidents present to make suggestions for the immediate improvement of the situation as outlined by him. Skrzypczynski answered Koval's request in the name of the three Germans present. He acknowledged that the production plans are not realistic and explained that the main reasons for this condition are to be found in the fact that the occupying power makes arbitrary changes in the plans after they are put into effect. He pointed out that the uncooperative attitude of the Land and provincial governments toward the Central Administrations and the Central Administrations' lack of clear-cut authority to issue binding directives to the Land and provincial governments also tend to aggravate this situation. He also stated that this problem of authority for the Central Administrations had been discussed frequently with Karlshorst, but no solution had ever been reached.
4. Koval replied that he thought Skrzypczynski's analysis was incorrect, but that he would bring his arguments to the attention of the appropriate authorities. Koval then met with the Chiefs of Divisions (Abteilungsoffiziere) of the SMA Karlshorst and the Economic Officers (Wirtschaftsoffiziere) of the SMA's of the Länder and provinces.
5. One day after the meeting with Koval, Skrzypczynski was ordered to Karlshorst by a telephone call from the Chief of the Division for Industry in Karlshorst. He was summoned to make suggestions for improving coordination between the Central Administrations and the Länder and provincial governments. During this interview Skrzypczynski made a few improvised suggestions and promised to submit a detailed plan later.
6. On 10 February 1947 an agreement was signed in Karlshorst by the three presidents of the Central Administrations who had attended the first meeting mentioned above: Skrzypczynski, Handke, and Sobottka; and the Ministers of Economics of Brandenburg, Sachsen-Anhalt, and Mecklenburg: Heinrich Rau, Stahl, and Witte. Also present but not signing were the Ministers of Economics of Land Saxony and Thuringia. The agreement was to become effective immediately and is to expire on 30 September 1947. It consists of six points, which include the following essential provisions:
 - a) The Land governments recognize the Central Administrations, not as a government taking precedence over the Land governments, but as a coordinating agency "with special powers".
 - b) The Land governments recognize their obligation to accept the directives of the Central Administrations and to see to it that these directives are carried out.
 - c) The Land governments recognize their obligation to report immediately to the Central Administrations all economic and industrial planning and all economic measures executed by the Länder.
 - d) The Land governments recognize their obligation as described under (c) in a general sense, but with particular emphasis upon raw materials.

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Comment: [REDACTED] the agreement was worded in very general terms because it was realized that the agreement will eventually come up for discussion in the Land Diets and will probably provoke strong opposition there. In spite of the cautious wording of the agreement, [REDACTED] it subordinates the three signing Land governments to the complete authority of the Central Administrations.

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7. The Ministers of Economics of Saxony and Thuringia, who were also present at the signing on 10 February, refused to sign without previous authorization to do so from their respective governments. The two Ministers communicated by telephone with the two Minister Presidents, Friedrichs and Paul. At the conclusion of their telephone conversations each Minister of Economics still refused to sign the agreement.
8. On 11 February, Koval, having heard of their refusal to sign, ordered the two non-signing Ministers to see to it that their Lands join in the agreement. On 18 February the signatures of Saxony and Thuringia had not yet been affixed to the agreement.

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Comment: [REDACTED] the Russians intend to make this agreement public before the Moscow Conference in order to demonstrate that they, too, are preparing and organizing administrative agencies in their zone on a zonal level, similar to the Länderrat and the bizonal administrative services.

9. In the same interview with source, Skrzypczynski stated that the SMA Karlshorst has issued a directive to the Central Administration for Industry, according to which the amount of coal to be allotted to German industry in the Russian Zone during the second quarter of 1947 is to be reduced to 60 percent of the amount allotted in the same quarter of 1946. The Central Administration for Industry is now changing the production plans which it was in the process of preparing on the basis of a higher coal allotment.

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